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4 STRATEGIC STEPS

Constructing an IT strategic planning process that works up and down the management chain

BY TOM HINKEL

The collaborative, innovative and constantly evolving nature of technology within today's banking environment makes IT strategic planning a critical tool to ensure a community bank's technology is consistent and aligned with its overall business plan. Constructing an effective IT plan ensures resources are allocated appropriately, which is integral to efficient operations.

From a purely compliance-centered focus, IT strategic planning can, and often does, result in improved audits and examinations. In fact, strategic plans are one of the elements assessed to determine the IT composite ratings. A CAMELS 1-rated institution is characterized as having well-defined strategic plans that are "fully integrated throughout the organization. This allows management to quickly adapt to changing market, business and technology needs of the entity," according to the Federal Financial Institution Examinations Council's Management Handbook.

Despite the overwhelming evidence pointing to the need to develop and execute a strategic, integrated IT plan, one of the most common IT examination findings by the FDIC shows financial institutions are still deficient in this area. Following the below steps will help ensure your community bank builds and executes an effective IT strategic plan.

Step One: Create an IT steering committee.

Before the plan, there should be an IT steering committee. The mandate for both a steering committee and an IT strategic plan is found in the 2004 FFIEC Management Handbook.

According to the handbook, first the IT steering committee is established: "Many boards of directors choose to delegate the responsibility for monitoring IT activities to a senior management committee or IT steering committee. The IT steering committee's mission should be to assist the board in overseeing IT-related activities. The committee should consist of representatives from senior management, the IT department, and major end-user departments."

And then, according to the FFIEC handbook, the IT strategic plan should be developed: "Strategic IT planning focuses on a three to five year horizon . . . Strategic planning should address long-term goals and the allocation of IT resources to achieve them. The strategic plan should address the budget, periodic board reporting and the status of risk management controls."

Think of it this way: An IT steering committee provides the method by which an IT strategic plan is managed, so the committee comes first. Every committee meeting should have a discussion item on the agenda for updating the IT plan, even if there hasn't been any major plan updates since the last committee meeting. The frequency of steering committee meetings should be commensurate with the pace of change within your community bank, but generally no less frequent than quarterly.

Step Two: Construct the IT strategic plan.

There is no one single template for this, but in general an IT strategic plan should contain the following elements:

- **A mission statement.** This should establish the basis for the plan and the broad goals and objectives.
- **A statement of alignment.** This states that the IT steering committee's efforts will ensure the bank's technology plans are consistent and aligned with its business plans. The statement may include these elements:
 - confirming the IT strategic plan aligns with the overall business strategy;
 - determination that IT performance supports the strategy;
 - ensure the IT department is delivering on time, on budget and to specification;
 - directing the IT strategy to balance existing operations with new initiatives, and;
 - keeping IT focused on specific objectives.
- **The organizational structure.** This should include assignment of responsibility from the board of directors. Input should be received from senior management, the IT department and major end-user departments.

- **A list of IT initiatives.** This should include long-term (three to five years) as well as short-term initiatives, in addition to budgeting, risk analysis and prioritization.

Although an IT strategic plan can be developed from a template fairly quickly using standardized verbiage, examiners will evaluate the process as well as the written product. Strive to construct a plan that reflects the nature and scope of your community bank's operations. The plan should be a live document that constantly adjusts for new risks or opportunities.

Step Three: Manage the plan.

Because your community bank should strategically and operationally assign its IT activities with those

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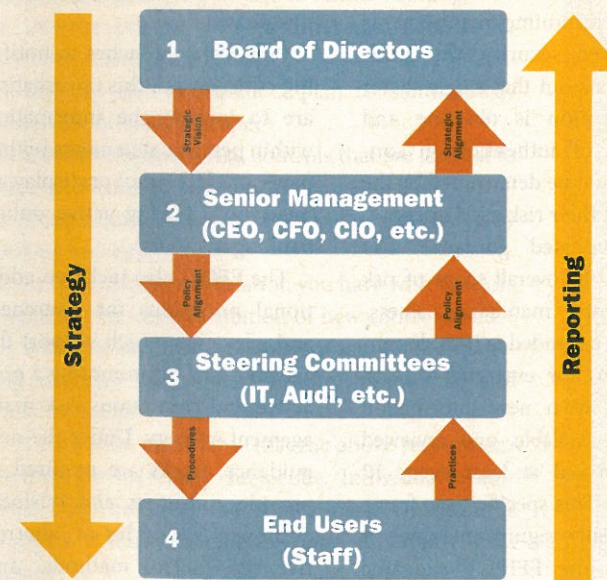
IT Strategic Planning Execution

Step 1—The board of directors communicates the community bank's overall strategic vision to senior management.

Step 2—Senior management communicates the IT vision to committees (such as the IT committee) and ensures that IT policies align with the bank's strategic vision.

Step 3—Management committees implement the policies and document that all IT initiatives support and enhance the community bank's overall goals and objectives.

Step 4—Practices are documented and regularly checked for alignment with written procedures. Reporting then flows back to the board of directors via management committees.



of other business units, it should do so using the most appropriate forum, one in which all functional units of your bank are represented. The FFIEC Management Handbook strongly suggests that the IT steering committee is just such a forum. The handbook states, "Members do not have to be department heads, but should know IT department policies, practices and procedures. Each member should have the authority to make decisions within the group for his/her respective areas."

Always work from a standard agenda and document everything, particularly any assigned follow-up tasks that may arise from a steering committee meeting. Also, make sure the internal or external audit or risk management staff participates in an advisory capacity if possible.

Step Four: Document compliance with plan.

Management reporting is the key concept here. If you look at any recent FDIC consent orders, you will quickly see a common theme. In almost every case, regardless of the main thrust of the consent order, the requirement for the bank's board and senior management to take a more active role in the affairs of the bank was usually the first requirement of the order. This equates to making sure the IT steering committee has the tools and expertise necessary to effectively monitor, gather, analyze and report the data that will document the entire process.

If adequate expertise isn't available in-house, consider contracting for it. This step gives management the assurance that the strategic plans are aligned with the business strategy.

The IT strategic plan, managed by an IT steering committee, is an excellent way to guarantee the top-down flow of strategy and the bottom-up flow of reporting. Not only will this result in cleaner IT audits and examinations, but also, as the FFIEC Management Handbook states, "institutions that are better at keeping IT aligned with changing business goals and objectives are positioned to compete more effectively." ■



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